

## Message Text

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ACTION IO-14

INFO OCT-01 NEA-10 ISO-00 AF-10 ARA-16 EA-11 EUR-25 RSC-01

SCI-06 AEC-11 SPM-01 AGR-20 CEA-02 CIAE-00 COME-00

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NSC-07 PA-04 AID-20 CIEP-02 SS-20 STR-08 TAR-02

TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01 SWF-02

OIC-04 DRC-01 /263 W

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R 191439Z APR 74

FM USMISSION USUN NY

TO SECSTATE WASHDC 3659

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

UNCLAS USUN 1394

EO 11652: NA

TAGS: ENRG, ECON, PINT, BA

SUBJECT: UNGA SPECIAL SESSION: BAHRAIN GENERAL DEBATE

STATEMENT APRIL 17

SUMMARY: FONMIN AL-KHALFA DEVOTED BULK OF EVEN-TONED AND CAREFULLY REASONED SPEECH TO DISCUSSION OF ROLE OF OIL IN WORLD ECONOMY. HE SAID RATIONAL WORLD OIL POLICY MUST ACHIEVE DISPARATE OBJECTIVES. IT MUST SATISFY ENERGY NEEDS OF WORLD ECONOMY, CONSERVE RAPIDLY DEPLETING RESOURCE, DAMPEN INFLATIONARY IMPACT OF OIL PRICE INCREASES, AND GUARANTEE LONG-TERM ECONOMIC DEVELOPMENT TO PRODUCING COUNTRIES. ELEMENTS OF SUCH POLICY WOULD INCLUDE: ESTABLISHMENT OF PRICE INDEXING SYSTEM FOR RAW MATERIALS AND MANUFACTURED GOODS; ABOLITION OF OIL TAXES AND ADOPTION OF STRINGENT CONSERVATION MEASURES BY CONSUMING NATIONS; ASSURANCE OF SECURITY FOR INVESTMENTS

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MADE BY OIL PRODUCERS IN DEVELOPING COUNTRIES; FACILITATION

OF INVESTMENT OF ARAB MONEY IN LDC'S APPLICATION OF MONETARY RESERVES TO DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES; AND REFORM OF MONETARY SYSTEM TO PROTECT LONG-TERM VALUE OF FINANCIAL RESOURCES AND MAKE INSTITUTIONS REFLECTIVE OF NEW ECONOMIC REALITIES. AL-KHALIFA SAID VARIOUS INITIATIVES BY OIL PRODUCERS TO PROVIDE FINANCIAL RELIEF TO LDC'S WHILE COMMENDABLE, SHOULD NOT RELIEVE DEVELOPED COUNTRIES OF THEIR RESPONSIBILITY IN PROVIDING AID. HE ENDORSED GROUP OF 77 PROGRAM OF ACTION AND CALLED FOR ITS ADOPTION BY CONSENSUS DURING SPECIAL SESSION. END SUMMARY.

1. AL-KHALFA FIRST CRITICIZED DEVELOPED COUNTRIES FOR THEIR RELUCTANCE PROVIDE "NEW OUTLETS" FOR LDC EXPORTS, ESTABLISH EQUITABLE PRICE RELATIONSHIP BETWEEN RAW MATERIALS AND MANUFACTURED GOODS, OR MEET SECOND DEVELOPMENT DECADE AID-GIVING TARGET OF 1 PERCENT OF GNP. BEYOND THIS, WORLD IS FACED WITH SCARCITY OF RESOURCES TO SATISFY NEEDS OF EVER-GROWING POPULATION. BAHRAIN, HE SAID, FAVORS "GENERAL AND COMPLETE DISARMAMENT" NOT ONLY IN INTEREST OF PEACE BUT AS CURB TO WASTEFUL RESOURCE CONSUMPTION.

2. TURNING TO SUBJECT OF OIL, AL-KHALFA WARNED THAT "IRRATIONAL EXPLOITATION" THREATENS EARLY DEPLETION OF THIS VITAL RESOURCE. HE DEFENDED OIL PRICE INCREASE AS RECTIFICATION OF TERMS OF TRADE WHICH HAD MOVED STEADILY AGAINST OIL-PRODUCERS IN 1950'S AND 1960'S DURING WHICH PERIOD PRODUCTION GEARED TO REQUIREMENTS OF INDUSTRIAL CONSUMERS RATHER THAN TO NEEDS OF PRODUCING COUNTRIES. HE ASSERTED THAT PRODUCER-COUNTRY REVENUE IS STILL LESS THAN A THIRD OF WHAT CONSUMING COUNTRIES TAKE IN TAXES ON PETROLEUM PRODUCTS AND THAT OIL REMAINS CHEAPER AND MORE FLEXIBLE ENERGY SOURCE THAN ANY POSSIBLE SUBSTITUTE. WHILE NOT PROPOSING CUT IN CURRENT PRICE, AL-KHALIFA ACKNOWLEDGED PRODUCER INTEREST IN FORESTALLING VICIOUS CIRCLE OF INFLATION IN WHICH PRICE OF OIL AND PRICE OF EXPORTS OF MAJOR OIL-CONSUMING COUNTRIES PUSH EACH EVER HIGHER AND VALUE OF MONETARY RESERVES IS STEADILY ERODED.

3. TO ASSURE AVAILABILITY OF FINANCING FOR LONG-TERM DEVELOPMENT OUT OF PROCEEDS FROM SALE OF THEIR NON-UNCLASSIFIED

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RENEWABLE RESOURCE, IT WOULD MAKE SENSE, AL-AKHALIFA COUNTINUED, FOR OIL PRODUCERS TO RESTRICT, AND THEREBY PROLONG, PRODUCTION. BY REDUCING BOTH DEFICITS OF CONSUMING COUNTRIES AND SURPLUSES OF PRODUCERS, THIS WOULD ALSO SOLVE BALANCE OF PAYMENTS PROBLEM. RECENT EXPERIENCE, HOWEVER, HAS SHOWN THAT EVEN SLIGHT CURTAILMENT OF PRODUCTION JEOPARDIZES WORLD ECONOMY. YET, IF PRODUCERS ARE TO FOREGO ADVANTAGES OF RESTRICTING PRODUCTION AND

ARE TO PROVIDE WORLD WITH OIL IT NEEDS, THEY MUST BE ABLE TO INVEST EARNINGS IN SUCH A MANNER AS TO ENSURE STEADY INCOME FOR FUTURE DEVELOPMENT.

4. TO MEET INTER-DEPENDENT NEEDS OF CONSUMERS AND PRODUCERS, AL-KHALIFA PROPOSED FOLLOWING COURSES OF ACTION:

- A) STABILIZATION OF TERMS OF TRADE THROUGH PRICE INDEXING;
- B) ABOLITION OF CONSUMING-COUNTRY OIL TAXES;
- C) PRACTICE OF ECONOMY IN ENERGY AND RAW MATERIAL CONSUMPTION;
- D) CREATION OF ECONOMIC INFRASTRUCTURE AND DEVELOPMENT OF NON-OIL RESOURCES IN OIL-PRODUCING COUNTRIES;
- E) INVESTMENT OF "ARAB" MONEY THROUGH "PARTICIPATION AND PARTNERSHIP", IN DEVELOPMENT OF AGRICULTURAL AND OTHER RESOURCES OF LDC'S ;
- F) FACILITATION OF FREE AND SECURE INVESTMENT BY PRODUCER COUNTRIES IN CONSUMER ECONOMIES; AND
- G) APPLICATION OF OIL REVENUES TO DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY.

5. WHILE NOTEING THAT COMMODITIES OTHER THAN OIL HAD INCREASED IN PRICE, AL-KHALIFA AFFIRMED ABILITY OF OIL PRODUCERS TO PROVIDE SOME FINANCIAL RELIEF TO HARD-HIT LDC'S. HE COMMENDED OPEC, ARAB LEAGUE, KUWAIT, IRAN AND "MANY OTHERS" FOR THEIR OFFERS OF AID. THESE SHOULD NOT, HOWEVER, RELIEVE DEVELOPED COUNTRIES OF THEIR OBLIGATION.

6 IN CLOSING, AL-KHALIFA ENDORSED, WITHOUT ELABORATION, PROGRAM OF ACTION PROPOSED BY GROUP OF 77 AND CALLED FOR ITS ADOPTION BY CONSENSUS BY UNGA SPECIAL SESSION. SCALI

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